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BUDGET AND PROGRAM PLANNING
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October 18, 2001

To: Governor's Advisory Council on School Funding

From: Amy Carlson
Budget Analyst

RE: Grouping districts by size to determine impacts of proposals

Members of the Council asked for size grouping of the districts so that the impact of the proposals on size groupings are easy to identify. The attached spreadsheet shows the results of grouping by size. The standard OPI size groupings are used for this analysis.

The information that I have provided includes for each size group: the number of districts, the number of elementary ANB, the number of high school ANB, and the total state direct state aid received by that group. Direct state aid was used because it is a factor in the model that is easy to extract and it is directly proportional to the total entitlements that a district will receive. In other words if direct state aid increases 10% then the district general fund entitlement will increase 10% (not including special education).

On the attached spreadsheet you will notice there are three general headings: Current Law, 3-year average with 6%, and No Decrements. The **Current Law** section gives the result of FY 2002 with none of the Council's recommendations included.

The middle section is titled **3-year average with 6%**. I attempted to find a compromise position in the Council's recommendation on 3-year average of ANB proposal. I calculated the cost of a 3-year average ANB then stopped the loss for districts with increasing enrollment at 6%. For example if the 3-year average ANB was 100 and the current ANB was 110, then the district would get 104 ANB ($110 - 6\% \times 100 = 104$). The cost of this option was \$9.6 million, in comparison to \$7.9 million for the full averaging proposal and \$14.0 million for the higher of the current or average ANB proposal. Note that this proposal benefits small schools more than large schools, probably because the enrollment changes in small schools more often vary by a greater percentage and also the 6% will may be reached quicker with increasing enrollments.

The final section, **No Decrements**, is the option to eliminate all decrements or reductions in the per ANB entitlement with each additional ANB. In this version I have not increased the Basic entitlement. As suspected at the last meeting, large schools benefit more than small schools.

I hope this is what you all were thinking about when you asked for grouping. Unless I hear otherwise from the Council, I will not plan on presenting this at the next meeting, but will have copies available for the public if requested. If you have further questions or concerns, please contact me by phone at 444-4893 or e-mail at acarlson@state.mt.us.